

Message Text

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ACTION SS-25

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FM AMEMBASSY CAIRO

TO SECSTATE WASHDC IMMEDIATE 6672

C O N F I D E N T I A L CAIRO 11834

EXDIS

DEPT PASS SECRETARY FROM AMBASSADOR

EO 11652: GDS

TAGS: PFOR, EAID, EFIN, EG, XE

SUBJ: PASSING THE HAT FOR EGYPT

REF SECTO 25006,

1. I BRIEFED PRIMIN MAMDUH SALEM TODAY ON OUR EFFORTS TO DATE TO SECURE ASSISTANCE FOR EGYPT UNDER THE SEVEN POINT PROGRAM AND URGED THAT GOE FOLLOW UP ON EACH OF THE POINTS CITED REFTEL. SINCE THE PRESIDENT IS STILL IN ALEXANDRIA, AND I WILL NOT BE SEEING HIM BEFORE I LEAVE ON SUNDAY, I ASKED PRIMIN INFORM SADAT OF WHAT WE HAVE DONE AND OUR SUGGESTIONS. HE AGREED TO DO SO. I WILL HAVE DCM AND/OR AID MISSION DIR BROWN MAKE THE SAME POINTS TO SHAFEI AND ABU ISMAIL. PRIMIN EXPRESSED APPRECIATION AND MADE FOLLOWING COMMENTS.

2. RE IRANIAN BANK GUARANTEE, HE WAS INTERESTED IN HEARING THAT THE SHAH HAD GIVEN YOU A POSITIVE RESPONSE, BUT HAD CLAIMED THAT NO GOE REQUEST YET RECEIVED. THIS CONTRASTED SHARPLY WITH RECENT DEMARCHE BY IRANIAN AMB BAHRAMY, ACTING ON TEHRAN'S INSTRUCTIONS, TO THE EFFECT THAT IRAN IS NOT IN POSITION TO HELP AT THIS TIME. AS RESULT, GOE HAS NOT AGAIN APPROACHED IRAN. I SUGGESTED THAT, IN THE LIGHT OF THE SHAH'S POSITIVE RESPONSE TO YOUR APPROACH, IT MIGHT BE USEFUL IF GOE AGAIN EXPLORED MATTER WITH THE SHAH. PRIMIN
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AGREED TO DO SO.

3. RE JAPANESE, FRENCH AND GERMANS, PRIMIN NOTED GOE HAS APPROACHED THESE GOVTS FOR ADDITIONAL B/P ASSISTANCE, BUT EACH HAS CLAIMED INABILITY FOR BUDGETARY REASONS TO DO SO. HE AGREED THAT ANOTHER APPROACH SHOULD BE MADE BY GOE TO THESE GOVTS.

4. HE WAS GRATEFUL FOR OUR EFFORTS WITH THE AUSTRALIANS, CANADIANS AND EEC RE CONCESSIONARY FOOD AID ASSISTANCE TO EGYPT AND AGREED GOE SHOULD FOLLOW UP WITHOUT DELAY.

5. RE SAUDI AND KUWAITI HELP, WHILE APPRECIATING SEC SIMON'S LETTER, PRIMIN NOTED WRLY THAT SAUDIS AND KUWAITIS ARE TIGHTFISTED. REFERRING TO GODE ARRANGEMENTS, HE NOTED THAT ABA KHAIL, WITH ATIQI'S ENCOURAGEMENT, HAD INITIALLY PROPOSED \$250 MILLION LOAN WITH TWO YEAR GRACE PERIOD, REPAYABLE IN THREE YEARS, WITH SIX PERCENT INTERST. PRIMIN CLAIMS HE INSTRUCTED ABU ISMAIL TO REFUSE THOSE TERMS. ABA KHAIL HAD THEN COME UP WITH REVISED TERMS, I.E. THREE YEARS GRACE, TWO YEARS REPAYMENT WITH FIVE PERCENT INTEREST. (CAIRO 11576). THESE TERMS WERE NOT MUCH BETTER AND HAD ALSO BEEN REFUSED. HE HAD, THEREFORE, INSTRUCTED ABU ISMAIL TO EXPLORE WITH GODE BANK LOAN GUARANTEE CONCEPT (THIS IS A SLIGHTLY DIFFERENT VERSION FROM THAT GIVEN ME BY ABU ISMAIL).

6. PRIMIN MUSED THAT HE COULD PERHAPS MAKE TRIP TO SAUDI ARABIA TO DISCUSS WITH PRINCE FAHD EGYPT'S NEED FOR MORE SUBSTANTIAL SUPPORT. HE IS RELUCTANT TO DO SO AT THIS TIME, SINCE ABA KHAIL HAD SAID THAT SAG IS HAVING SOME DIFFICULTIES REQUIRING HIM REARRANGE SAUDI BUDGET IN ORDER TO PROVIDE FUNDS FOR GODE. PRIMIN OBSERVED WITH A SMILE THAT IT IS TOUGH BEING POOR LIKE THE SAUDIS. HE UNDERTOOK TO CONSIDER AGAIN THE DESIRABILITY OF AN EARLY TRIP TO SAUDI ARABIA.

7. ON IMF RECOMMENDATION, PRIMIN REAFFIRMED THAT GOE INTENDS TO IMPLEMENT THEM AFTER THE ELECTIONS. HE HOPED WE UNDERSTAND WHY GOE CANNOT DO SO NOW. HE IS CONCERNED ABOUT INEVITABLE COST OF LIVING INCREASE WHICH WILL RESULT, BUT NOTED GOE REALLY HAS NO CHOICE. IT MUST, NEVERTHELESS, CARE-CONFIDENTIAL

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FULLY CHOOSE THE TIMING FOR SUCH A POTENTIALLY EXPLOSIVE ACTION. HE AGREED GOE SHOULD REASSURE POTENTIAL DONOR COUNTRIES OF ITS INTENTION TO IMPLEMENT IMF PROGRAM AFTER EGYPTIAN ELECTIONS.

8. PRIMIN OBSERVED HE NEEDS ABOUT \$800 MILLION BETWEEN NOW AND END OF CALENDAR YEAR TO MEET GOE'S OBLIGATIONS. ABU ISMAIL IS CLAIMING ABOUT \$1 BILLION NEEDED, BUT PRIMIN BELIEVES

GOE CAN GET ALONG WITH HIS SMALLER FIGURE.
EILTS

NOTE BY OC/T: CAIRO 11834 NOT PASSED THE SECRETARY.

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